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MEMORANDUM

To: Tier II Consultation Team

From: CMAP staff

Date: September 13, 2013

Re: GO TO 2040 Financial Plan Update – Reasonably Expected Revenues

Federal regulations require that CMAP update the region's financial plan for transportation every four years. Federal statute requires a financial plan that demonstrates the resources from public and private sources that are reasonably expected to be available to carry out the region's transportation plan. GO TO 2040 includes a financial plan totaling \$385 billion over the 30-year plan period. During the plan update process, CMAP will revise the revenue and expenditure forecasts and develop an overall funding allocation over a 2015 – 2040 planning horizon.

GO TO 2040 included revenue forecasts totaling \$350.4 billion in core revenues and \$34.6 billion in reasonably expected revenues over the 2011 – 2040 planning period. Core revenue forecasts include current sources of federal, state, and local revenues for the construction, operation, and maintenance of the current roadway and transit system over the planning period.

FHWA and FTA guidance on the financial plan permits MPOs to calculate revenues that can reasonably be expected during the planning period. The level of core revenues forecast in GO TO 2040 would not have allowed the region to make much progress in addressing its substantial transportation needs. In GO TO 2040, reasonably expected revenues totaled \$34.6 billion, and the following revenue enhancements:

Reasonably expected revenues	GO TO 2040 forecast
Increase state motor fuel tax by 8 cents and index to inflation	\$19.4 billion
Congestion pricing revenues	\$12.0 billion
Implement variable parking pricing	\$2.0 billion
Federal transportation allowances	\$1.2 billion
Public-private partnerships	\$0
Value capture for transit facilities	\$0
Total	\$34.6 billion

This memo will provide updated details regarding reasonably expected revenue sources that could be included in the GO TO 2040 update.

State motor fuel tax increase

GO TO 2040 recommends that the state motor fuel tax (MFT) be increased by 8 cents and indexed to an inflationary measure. Although the rate has been increased nine times since its enactment, the state MFT has remained \$0.19 per gallon since 1991. Since it is a per gallon tax, the revenues have failed to keep pace with the cost of inflation and construction materials. GO TO 2040 forecast that this enhancement would generate an additional \$19.4 billion if it were implemented in 2012. However, it is already 2013, and no increase has been enacted. In addition, state MFT revenues have been declining annually since 2007, when revenues reached a high of \$1.4 billion. While this decline is partially a result of a reduction in vehicle miles traveled, the consumption of motor fuel has declined faster than vehicle miles traveled.

Rising vehicle fuel economy has contributed to this decline, and will likely result in continued decline of motor fuel consumption. In 2012, the National Highway Traffic Safety Administration issued a rule finalizing higher fuel economy standards for passenger vehicles and light duty trucks. Corporate Average Fuel Economy (CAFE) standards in this rule, together with projected U.S. Environmental Protection Agency standards for carbon dioxide emissions, set the stage for a reduction in carbon dioxide emissions equivalent to 54.5 miles per gallon (MPG) for passenger cars by model year 2025. Preliminary analysis published in a September 2012 CMAP Policy Update¹ indicated that given the tighter fuel economy standards announced over the past two years, forecasted MFT revenues may decline.

Congestion pricing

Congestion pricing promises to give drivers and transit users new travel options while providing implementing agencies with a proven traffic management tool. GO TO 2040 assumed \$12.0 billion in revenues from congestion pricing of a portion of existing expressways, assuming that revenues would begin to flow to the region in 2020 and that revenues would grow at a rate of 3 percent annually. The revenue estimate was derived from a 2009 Illinois Tollway study.² Since GO TO 2040 was published, CMAP has been exploring the benefits of implementing congestion pricing on five of the highway major capital projects recommended in GO TO 2040 as well as the existing expressway network.

Variable parking pricing

Using variable parking pricing, municipalities can apply variable rates to parking to influence traveler mode choice, time and amount of travel, and shift drivers from a congested location. GO TO 2040 assumed that \$2 billion would be generated for transportation purposes through pricing an additional 1.7 percent of off-street parking spaces annually during the planning period. An average rate of \$1 per day was used because a parking price that is set too high may shift drivers to other locations. It was also assumed that half of the revenues generated with be

¹ CMAP, "Rising Fuel Economy Standards and Their Potential Transportation Funding Impacts," September 14, 2012, http://www.cmap.illinois.gov/policy-updates/-/blogs/rising-fuel-economy-standards-and-their-potential-transportation-funding-impacts

² Illinois Tollway, Metropolitan Planning Council, and Wilbur Smith Associates, Congestion Pricing, 2009, http://www.cmap.illinois.gov/WorkArea/DownloadAsset.aspx?id=16529.

used for transportation. While some municipalities have priced parking, no additional priced spaces have been added to CMAP's knowledge since the adoption of GO TO 2040. However, CMAP has completed additional research on parking strategies last year.³ Alternative assumptions could include adding on-street parking spaces near Metra stations or increasing the rate annually to adjust for inflation.

Federal transportation allowances

During the development of GO TO 2040, the U.S. Congress was considering legislation to limit greenhouse gas emission via a cap-and-trade system as well as require the use of more renewable energy. The bill, the American Clean Energy and Security Act of 2009, would have allocated a portion of the revenue generated from selling greenhouse gas emissions allowances to states and MPOs for "clean transportation." GO TO 2040 assumed that the region would receive \$1.2 billion between 2011 and 2040. However, this bill was never enacted. It remains unclear whether Congress will consider a cap-and-trade bill in the future, and whether such a bill would include funds for states and MPOs to use for transportation purposes.

Long-term motor fuel tax replacement (not included in GO TO 2040)

As motor fuel consumption has slowed, state governments and other metropolitan planning organizations are considering replacements for the motor fuel tax.⁴ One of the more prominent replacements being considered is a **fee on vehicle miles traveled**. In a 2009 strategy report put together for GO TO 2040 on transportation demand management, CMAP staff analyzed the possible ramifications of a VMT tax.⁵ This analysis could be updated for the Plan update.

Next steps

Over the coming months, CMAP staff will be drafting core and reasonably expected revenue forecasts as well as projecting transportation system maintenance costs. As work moves forward, CMAP will continue to explore how the region can utilize the appropriate combination of core and reasonably expected revenues to make progress in addressing its substantial transportation needs.

³ CMAP, Parking Strategies to Support Livable Communities, April 2012, http://www.cmap.illinois.gov/documents/20583/c224c06f-2735-4400-8281-d3c263ce5ba6#page=28

⁴ The Southern California Association of Governments assumes the implementation of mileage-based user fees to replace gas taxes in 2025 in its 2012-2035 Regional Transportation Plan, http://www.scagrtp.net/content?c=03&s=05. The State of Oregon piloted a Road Usage Charge Pilot Program in 2012, and has now authorized a road usage charge system where beginning July 1, 2015, 5,000 volunteers will be assessed 1.5 cents per mile and be issued a gas tax refund.

⁵ CMAP, Travel Demand Management Strategy Paper, March 2009,